

BILL # HB 2473

TITLE: ASRS Retirees; eligibility for AHCCCS

SPONSOR: McClure

STATUS: As Introduced

REQUESTED BY: House

PREPARED BY: Timothy Sweeney

FISCAL ANALYSIS

Description

HB 2473 would allow retired members of the Arizona State Retirement System (ASRS) to participate in the Healthcare Group program.

Estimated Impact

The JLBC Staff is unable to determine the overall cost of HB 2473. The bill may have a state cost if Healthcare Group continues to require a state subsidy. Depending on ASRS participation and the premiums charged to ASRS members, JLBC Staff estimates that the administrative costs would be approximately \$65,000 for a one-time study, and \$200,000 - \$250,000 annually for every 1,000 ASRS members who join Healthcare Group. These administrative costs would be funded from premiums paid by Healthcare Group members.

This Legislation would not affect the health insurance subsidy benefits ASRS pays to current retirees; therefore ASRS does not believe the bill will affect ASRS contribution rates. JLBC Staff used administrative cost information from AHCCCS in formulating our fiscal impact estimates.

Analysis

Healthcare Group is a health insurance plan that is available only to employees of small businesses (1-50 employees), self-employed persons, and employees of political subdivisions. Healthcare Group members pay monthly premiums for health coverage, and may not be denied enrollment based on medical condition. Because Healthcare Group cannot deny enrollment due to an applicant's medical condition, Healthcare Group has historically suffered from adverse selection. As a result of this problem, in recent years the Legislature has appropriated monies from the General Fund to subsidize the reinsurance costs resulting from catastrophic cases, including \$4,000,000 in FY 2005. While AHCCCS estimates that Healthcare Group will not require a reinsurance subsidy in FY 2006, whether any funds will be needed will depend on the pricing policies in Healthcare Group and on the program's ability to become 100% self-funded. If the premiums set for ASRS retirees who join Healthcare Group do not adequately cover the costs of this additional population, then Healthcare Group may seek a state subsidy to fully fund the costs of this population.

HB 2473 would make ASRS retirees eligible to participate in Healthcare Group. In order for ASRS retirees to join Healthcare Group, the Healthcare Group administration would perform a study to determine the necessary monthly premiums participating ASRS members would need to pay for various service packages. AHCCCS estimates that this study, and other start up activities, would cost approximately \$65,000, which would be paid for from the Healthcare Group Fund. As ASRS retirees elect to participate in Healthcare Group, Healthcare Group would incur additional, ongoing administrative costs associated with adding new members. AHCCCS estimates that administrative costs associated with adding populations are approximately 6-8% of the monthly premiums. Therefore, the estimated administrative cost increase for Healthcare Group will depend on the number of ASRS retirees who elect to participate in the program.

Currently, there are approximately 70,000 retired members of ASRS, including those in the Long-Term Disability (LTD) program. Including retiree dependants, approximately 23,500 persons participate in the health insurance plan offered by ASRS, as of July 2004. Monthly premiums range from \$140-\$720 per month, but based on their enrollment selections, the average monthly premium payment is approximately \$260 per member, or about \$3,100 per year. Therefore, if Healthcare Group were to offer coverage at similar rates, Healthcare Group administration costs could be expected to increase by about

\$200,000 - \$250,000 for every 1,000 ASRS retirees who choose to participate in Healthcare Group, based on AHCCCS' 6-8% administration figure. This estimate assumes ASRS retirees would participate in Healthcare Group insurance plans in similar patterns as they currently do in the ASRS plan; however, if only higher or lower premium members enroll in Healthcare Group the additional administrative costs could be higher or lower than this estimate.

Local Government Impact

None

2/10/05